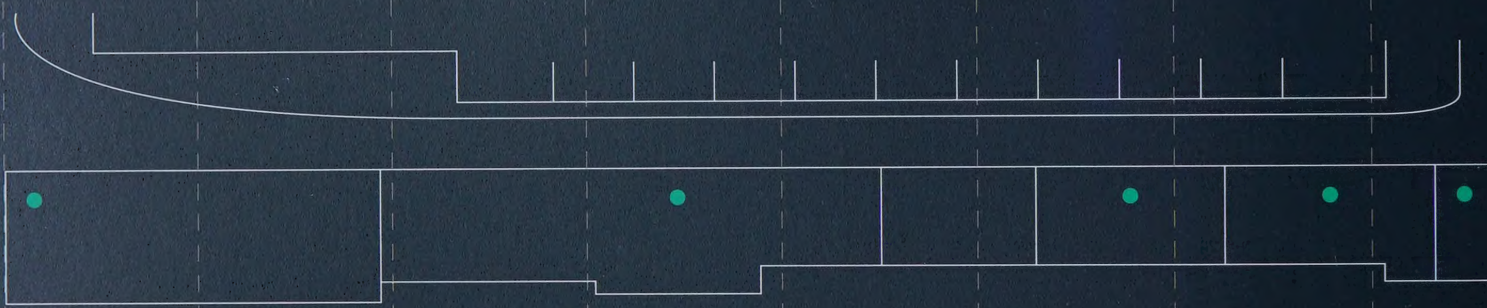
securing the future in retail real estate

RIOCAN

RIOCAN REAL ESTATE INVESTMENT TRUST ANNUAL REPORT 1999

RioCan profile

The Trust's primary objectives are to maximize cash flow over the long term and to ensure the capital appreciation of its portfolio. It achieves this by proactively managing its existing properties, by seeking accretive acquisition and expansion opportunities and by selectively undertaking development activities.



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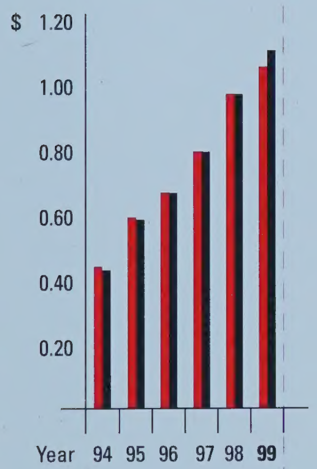
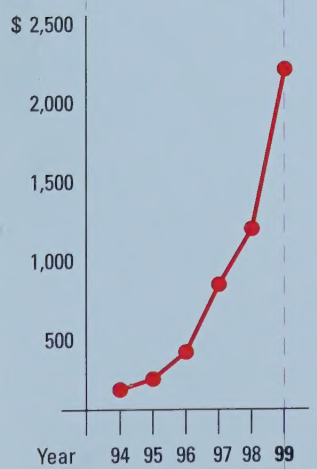
Financial Highlights

For the years ended December 31	1999	1998
INCOME STATEMENT		
Rental revenue	**$ 230,409,000**	$ 150,689,000
Net earnings	**$ 102,675,000**	$ 57,959,000
Net earnings per unit	**$ 0.99**	$ 0.84
Distributable income per unit	**$ 1.09**	$ 0.95
Distributions per unit	**$ 1.04**	$ 0.95
BALANCE SHEET		
Total assets	**$2,161,152,000**	$ 1,149,263,000
Unitholders' equity	**$1,009,542,000**	$ 575,596,000
Units outstanding:		
Weighted average for the year	**103,237,507**	68,691,704
As at December 31	**121,814,988**	76,359,000



HISTORICAL DISTRIBUTIONS PER UNIT

HISTORICAL DISTRIBUTABLE INCOME PER UNIT



HISTORICAL GROWTH IN ASSETS

Total assets as of December 31

(millions of dollars)

The RioCan Team (from left): ***Fred Waks***, Senior Vice President & Chief Operating Officer; ***Robert Wolf***, Vice President & Chief Financial Officer; ***Edward Sonshine, Q.C.***, President & Chief Executive Officer; ***Katy Ritcey***, Vice President, Investments; ***Don MacKinnon***, Vice President, Real Estate Finance; ***Danny Kissoon***, Vice President, Operations; ***Jeff Ross***, Vice President, Leasing.

President's Report to Unitholders

RioCan is Canada's largest REIT, by far. Our size and scope, our commanding presence in the country's best markets, our industry-leading dominance in new retail formats, and our financial and management acumen make us unique among REITs – and uniquely capable of securing the future of retail real estate for the benefit of all our stakeholders.

I am pleased to report that RioCan has once again broken records for distributable income and portfolio growth. These results are a tribute to the RioCan team of retail real estate experts – the best in the industry – and to their dedication to the consistent delivery of accretive value far beyond industry norms. It would be easy to rest on our laurels but we have never done that and never will. Rather, let us look at how we have meticulously constructed and positioned RioCan for a secure future in the evolving world of retail real estate.

What are the major market trends and challenges facing your Trust and retail real estate today? Why has RioCan's success continued unabated regardless of retail market cycles and arid capital markets? Good questions – and

I am happy to provide the answers here because they are clear evidence that ours is the correct strategy for assured long-term value creation.

RIOCAN – THE HISTORICAL PERSPECTIVE

In the six years since RioCan began, we have grown by over 2,000 percent in asset size and have grown our distributable income by over 2,800 percent. This year we extended our record for double-digit distribution increases with 15 percent growth in distributable income per unit based on strong results in every aspect of our business. Rental revenue increased by 53 percent and our cash flow from operations increased by 77 percent (18 percent per unit).

We laid the foundation for our success in 1993. RioCan helped create REITs in Canada; we wrote the handbook – and established a model that would ensure stability and reliable cash flow into the future by:

- Maintaining a low level of debt;
- Adhering to a policy of long-term financing at fixed interest rates;
- Focusing on neighbourhood shopping centres with the best national tenants, frequent shoppers, high occupancy rates, and low operating costs;
- Developing relationships with our tenants that have led to consistent renewals and long-term leases; and
- Having the financial clout and market expertise to capitalize on new retail formats with the best potential for current and future success.

In past years, we funded our expansion through our demonstrated ability to raise money in capital markets. But these days, equity and debt capital are very rare and very expensive. Our previous business model of the past must evolve – so, once again, we have rewritten the rules.

RIOCAN – REWRITING THE RULES TO ASSURE FUTURE SUCCESS

What we have created over the past six years is much more than bricks and mortar. We have developed a reservoir of expertise that is acknowledged as unparalleled in our industry. Our acquisitions and development

acumen, our exceptional in-house leasing team, our asset managers and our capital markets knowledge and relationships, are, we believe, the best anywhere. RioCan is by far the largest, most experienced and successful REIT in Canada and that has made it possible for us to join with investors such as OMERS to stimulate new growth. We expect that our partnership strategy (examples of which will already have been announced by the time you read this) will assist us greatly in our goal of capital self sufficiency.

RIOCAN – 1999

In many ways, 1999 was history-making for RioCan. We merged with RealFund to build your Trust into Canada's largest retail landlord with total assets of well over $2 billion in a portfolio of 130 retail properties across Canada. We have expanded our national reach and geographic diversity as well as the scope of our retail portfolio and tenant base. RioCan has more than 2,600 tenants and over 20 million square feet of prime retail space in the best markets across the country.

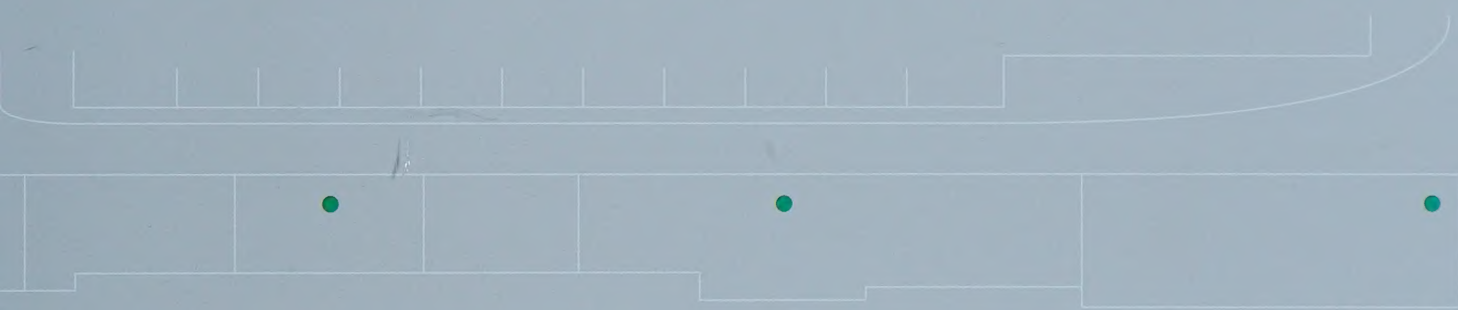
We have also moved strongly and decisively to gain a dominant position in New Format retail in the most advantageous locations and markets – this at a time when no new malls are being built in Canada. The results have been nothing less than phenomenal as exemplified by Trinity Common located in Brampton and Signal Hill in Calgary, where many of our tenants are finding that these locations are amongst their best in Canada.

Our industry-leading size and the quality of our properties has made RioCan the *landlord of choice* for many of Canada's foremost retailers like Zellers, A&P and Famous Players, amongst others – to the point that we are their largest landlord. So, when those retailers are ready to expand, or when U.S. retailers wish to enter the Canadian market, they come to us first for the very good reason that only RioCan can take them where they want to go – into the newest retail formats and best markets in Canada, everywhere in Canada. Payless Shoes is one example of how our size and scope pay large dividends. When this American retailer decided to enter the Canadian market, RioCan was a major part of their penetration and expansion strategy. We are now their landlord in 10 locations.

RIOCAN – EVOLVING FOR MORE SUCCESS

RioCan has a proven capacity for meeting challenges – and we are already evolving to meet the challenges of tomorrow. Take e-commerce, for instance. Some experts believe that Internet-based e-commerce will supplant Bricks-and-Mortar retail locations. I do not believe this will happen; the tactile and social aspects of the retail experience are too important to most people. But I do believe that e-commerce and Bricks-and-Mortar retailing are complementary. The challenge is to harness the power of e-commerce for the benefit of retailers and our shopping centres. We have spent a considerable amount of time talking to our tenants and researching the best ways to integrate Clicks-and-Bricks – and by the time you read this, I am confident we will have announced a joint venture aimed at the creation and implementation of the ideal e-commerce/retail model, one that will keep us at the forefront of retail for many years to come.

Diversity, stability and reliability – these are the prime reasons why RioCan has been successful from day one and will continue to be successful as we grow vigorously into the new millennium. As always, that success rests upon our focused vision, the wisdom and confidence of our Board of Trustees, the support of our unitholders and, most important of all, the dedication of our people.



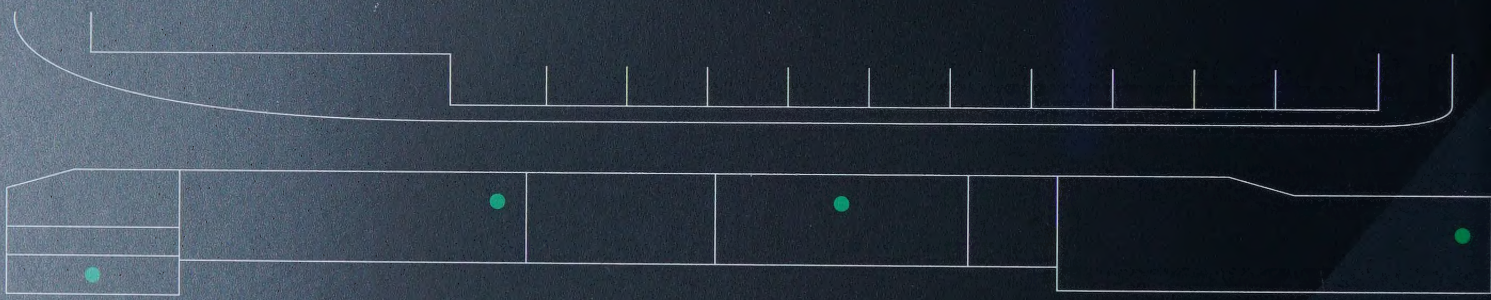
2000 and beyond will continue to be a remarkable time for RioCan as we *secure the future in retail real estate* for the benefit of all our stakeholders.

Edward Sonshine, Q.C.
President and Chief Executive Officer,
RioCan Real Estate Investment Trust
March 31, 2000

securing the future

90% NATIONAL TENANTS IN NEW FORMAT RETAIL CENTRES

90% of tenants in RioCan's New Format shopping centres are national retailers. These centres have assumed a dominant market position with both retailers and consumers – and will spur retail growth well into the future.



75% INCOME GENERATED FROM NATIONAL TENANTS

75% of RioCan's income is generated from national tenants providing strong long-term income reliability. These are leading supermarkets, retail chains and brands that will endure as the millennium unfolds.

6% REVENUE DERIVED FROM ONE SINGLE TENANT

6% is the maximum gross revenue RioCan derives from a single large retail tenant. As a consequence, we are well insulated from financial setbacks in the unlikely event a national tenant encounters difficulty.

50% MAXIMUM LEVEL OF DEBT

50% is the maximum level of debt to aggregate assets permitted by RioCan. While other REITs have increased their leverage amounts, RioCan has maintained a conservative leverage ratio, which limits our indebtedness and enhances long-term financial stability.

6% LEASE ROLLOVER IN ONE YEAR

6% is the maximum number of leases that will roll over in any single year. Our leasing strategy of staggered maturities ensures stable and predictable cash flow year after year.

70% PRE-LEASING LEVEL BEFORE DEVELOPMENT

70% of total space is the pre-leasing level which must be reached before RioCan will participate in any new retail development. Other preconditions include fully zoned land and construction phased to quicken the flow of rental income. That is why each of our developments is assured of sustaining strong cash flow.

79% RIOCAN PROPERTIES IN CANADA'S BEST MARKETS

RioCan's portfolio is geographically diversified – with dominant locations in the strongest markets across Canada. 79% of our property portfolio is located in major Ontario and Alberta markets – the most economically stable, fastest-growing markets in the country.

15% LIMIT ON DEVELOPMENT

15% is the maximum amount of equity that RioCan can commit to development. This conservative approach limits financial risk and ensures that RioCan continues to maintain an extremely healthy balance sheet.

2,629 TENANTS IN A PORTFOLIO OF 130 RETAIL PROPERTIES

RioCan has 2,629 tenants in our cross-Canada portfolio of properties. They are the biggest and best of the national supermarket and retail chains and the most successful of local businesses. The quality, variety and solidity of our tenant base guarantees our future.

26% PROPERTIES ADDED VALUE IN 1999

26% of RioCan's properties underwent activities – from minor renovations to major expansions – designed to add value and enhance returns. That's our strategy of proactive management in action – and our strong record of creating stable and growing cash flow is proof we do it better than anybody.

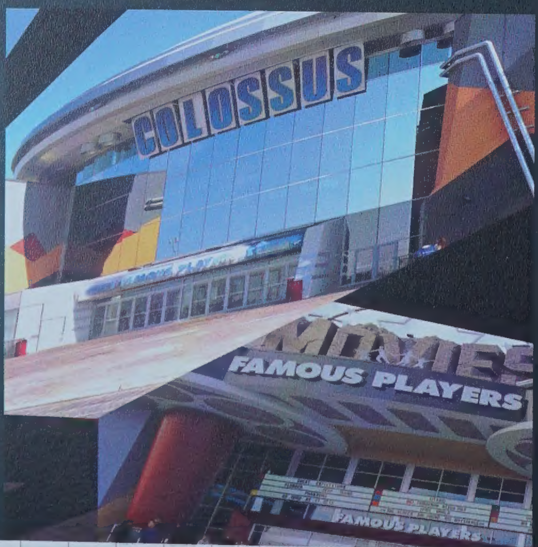
the future in retail

SHOPPERS DRUG MART EXPANDS AND EVOLVES

Shoppers Drug Mart is Canada's dominant drugstore chain and is currently expanding its operations in many RioCan properties including the introduction of new prototype stores. For example, the Shoppers Drug Mart at Orillia Square is the first drive-through store in the company's chain – another leading-edge innovation by RioCan for one of our major tenants.

FAMOUS PLAYERS AND RIOCAN SECURE THE FUTURE OF ENTERTAINMENT

Famous Players is the dominant movie exhibitor in Canada's entertainment industry and the urban destination of choice for fun-seeking Canadians in major markets coast-to-coast. Famous Players is also a major anchor – and a major draw – in the New Format retail properties developed by RioCan.



A&P AND RIOCAN – A PERFECT MATCH

RioCan has a portfolio of over 2,600 tenants and, as an income generator, A&P ranks as the fourth largest. Grocery stores are the cornerstones of neighbourhood life and of most RioCan properties. People will always need to eat – and our properties boast the best grocery chains in Canada. A&P is also a strong anchor to Trinity Common in Brampton, Ontario, our largest New Format centre totalling 875,000 square feet.

STAPLES EXPANSION YIELDS FIVE NEW LEASES

Staples' ongoing national expansion has resulted in five new leases at various RioCan properties. Staples is now a prominent tenant in 13 RioCan properties.

ZELLERS PROTOTYPE STORES DESTINED FOR SUCCESS

As Zellers' largest landlord, RioCan is helping to propel this dominant retailer into the 21st century with the construction of new prototype stores (backed by 20-year leases). A sign of success: The Trinity Common Zellers prototype store already far exceeds sales projections.

SUPERMARKETS ACCOUNT FOR 18% GROSS REVENUE

Three of RioCan's top 10 revenue earning tenants are supermarkets: Loblaws, A&P and Métro-Richelieu. This new Your Independent Grocer is a major part of the extensive expansion recently completed at our Cambrian Mall in Sault Ste. Marie, Ontario. From its opening day, this store has proven to be a community destination and a major draw to the renovated centre.

WAL-MART GROWS WITH RIOCAN

Wal-Mart is the most successful retailer in North America – and RioCan's third-largest revenue-generating tenant. The RealFund acquisition provided RioCan with a solid relationship for growth with Wal-Mart.

90% national tenants from New Format Retail Centres

Vision is the ability to see the future of retail real estate and act on it today. Big Box, Power and Entertainment centres are the current tidal wave in retail real estate – and RioCan is riding the crest. Our New Format Retail Centres are leased to Canada's leading national retailers.

Trinity Common
Brampton, Ontario

Home Depot
Canadian Tire
A&P
Zellers
Famous Players
Winners
Business Depot
Future Shop
Lazy Boy Furniture
Jacob
Cotton Ginny
Reitmans
Party Packagers
Indigo
Mark's Work Wearhouse
Bowrings
Stitches
Reebok
Moores The Suit People
Bouclair
Labels
Pier 1 Imports
Danier Leather
International Clothiers
Roots
HMV
Claires
Montana's
Blockbuster Video
Plantation Coffee
GNC
Radio Shack
Pizza Pizza
Hallmark
East Side Mario's
Casey's
Buck or Two
First Choice Haircutters
Subway
Black's Cameras
Bell Mobility
Phantom Hosiery
Starbucks
Canada Trust
Benix
Sportmart
Bombay Company
Coat Club
Tip Top
The Shoe Company

RioCan is unique among REITs in having the capital, access to capital, in-house expertise and joint-venture partners to develop compelling properties in the best markets at the leading edge of retail concepts.

At the end of 1999, RioCan had completed approximately 2,500,000 square feet of New Format Retail. Each of these projects is assessed against strict criteria. Costs must be lower than average and the potential for both immediate and long-term returns higher than average; in addition the project must be at least 70 percent pre-leased.

Some New Format projects are developed by RioCan alone, others with proven joint-venture partners – and all are proven winners. That's why RioCan now leads the Canadian retail real estate industry in the exploding world of New Format Retail.

RioCan owns the largest number of New Format and traditional shopping centres in Canada – and has the most tenants of any retail real estate organization in the country. More than 100 million customers visit our shopping centres annually. An incredible number that will become even more incredible as our New Format portfolio grows beyond 2000.

75% income generated from national tenants

In a competitive retail environment, it takes strength and security to succeed – and RioCan's shopping centres have the strongest retail chains and brands, all secured by long-term leases. We are Canada's largest landlord of the country's leading retail chains and supermarkets.

security

Signal Hill Centre
Calgary, Alberta

Zellers
The Real Canadian Superstore
Staples
Business Depot
Winners
Indigo
Club Monaco
The Shoe Company
Danier Leather
HMV
Stitches
Tip Top
Sportmart
Radio Shack
Nevada Bob's
Michael's
Kelsey's
Montana's
Second Cup
Swiss Chalet
Jacob
Mikasa
Pier 1 Imports
Columbia Mountain Shop
Canada Trust
A&W Foods
Roots
Pennington's
Le Chateau
Reitmans
TD Bank
Video Update
Merle Norman
Little Caesars
Blimpie Subs
First Calgary
Bowrings
Anthony's
Tan Jay/Jay Set Outlet
George Richards
Jack Astors
Tim Hortons/Wendy's

The quality and diversity of RioCan's revenue base is unparalleled in the industry. 75% of our revenue derives from anchor and national tenants; the independent tenants that make up the other 25% are virtually all well established local businesses.

RioCan's properties are in prime locations in the most attractive markets across Canada. We are the largest landlord of the most successful types of neighbourhood shopping centres and New Format centres in the country. Each of our properties feature premium-quality facilities and superb management.

That's why our occupancy rates lead the industry at a remarkable 96 percent – and why our lease renewals top 90 percent (and the industry) each year. National and independent retailers want what we've got – and we've got a lot of it.

Add in the fact that we carefully stagger lease maturities so that no more than 6 percent roll over in any single year and the bottom line is this: Stable, predictable, long-term cash flow for a secure financial future.

26% of RioCan's properties added value in 1999

RioCan significantly increases unitholder value through additions and enhancements to our portfolio of shopping centres. It's all part of our strategy of acquiring properties offering immediate returns and the best potential for multiplying value into the future. Take our Charlottetown Mall, for example: Since acquiring this property in 1997, we have expanded it by nearly 25% and added a host of new national tenants such as Winners and Sport Chek. Return on new money invested was well in excess of 15%, while at the same time the percentage of income from national and anchor tenants was materially increased.

value

Charlottetown Mall
Charlottetown,
Prince Edward Island

Zellers
IGA
Sport Chek
Winners
Shoppers Drug Mart
Moore's
Empire Theatre
Bata/Athletes World
Claire's
Radio Shack
Agnew
Jack Fraser
Northern Experience
Reitmans
Japan Camera
Hallmark
Smartset
Suzy Shier
Bentley
Coles
Bank of Montreal
Peoples
Jeans Experts
Northern Traditions
Northern Getaway
San Francisco Gifts
Sweet Factory

RioCan's prime focus is the long-term maximization of cash flow and the continual growth of portfolio value. In 1999, we undertook renovation, expansion and other value-added activities on 26% of our properties. The result: enhanced returns that have already delivered bottom-line results.

RioCan owns the lion's share of the best retail real estate in Canada – but ownership is only a starting point. When we acquire a property, we assess it for its *accretive worth*. That is, will it add substantially to the value of our portfolio? Can we acquire it for less than replacement cost? Do the tenants *and* lease terms offer stability and the opportunity for increasing cash flow? And how much value can we add through the application of our real estate knowledge and strategy of *very* active management?

This is our template for value creation – and it includes plans for renovations, redevelopment, leasing strategies and other enhancements designed to maximize cash flow and property value over the long term. From minor renovations to major expansions, from rent restructuring to the addition of successful retailers, we proactively manage each property to *secure the future in retail real estate*.

79% of RioCan's properties in Canada's best markets

RioCan selects properties that will perform over the long term. Our selection criteria is meticulous – based on the location of the property, the quality and stability of tenants, the rate of immediate return, and the potential for increasing cash flow through active asset management and expansion.

RioCan Centre Ajax
Ajax, Ontario

Loblaws
Zellers
Costco
Future Shop
Winners
Chapters
The Shoe Company
Moore's The Suit People
Danier Leather
Addition Elle
Bowrings
The Rubbery
LCBO
Party Packagers
The Coat Club
Mark's Work Wearhouse
Phantom Hosiery
Laura Outlet
The Second Cup
Hair Fitness
GNC
Hallmark/Laura Secord
Radio Shack
Everything For A Dollar
The Bulk Barn
Pier 1 Imports
TD Bank
Swiss Chalet/Harvey's
Bank of Nova Scotia
Reitmans
International Clothiers
Casey's Bar & Grill
The Garage Clothing Co.
Black's Photography
Freeman Formal Wear

RioCan's executive, asset managers and leasing professionals know the Canadian retail environment and retail real estate industry intimately. That is why our portfolio of properties is the strongest of any REIT, anywhere. Our properties are strategically positioned in the best markets across the country – with 79% of them located in high-growth Ontario and Alberta, the economic engines of Canada.

From a base of just over 2 million square feet in 1995, RioCan has grown swiftly and surely. We now have ownership interests in well over 20 million square feet of gross leaseable area in 130 retail properties that are home to over 2,600 tenants.

At $2.2 billion in assets, we are Canada's largest real estate investment trust – by far. But our size is only part of the story. Because of our growth strategy – which focuses on both "traditional" (neighbourhood shopping centres) and "cutting-edge" (New Format) retail real estate – we have not simply achieved size; we have done so at costs well below market value. The average cost of our portfolio is far below the replacement cost.

The world of retail is changing – and we are changing *ahead* of it. New Format grocery markets are replacing the smaller, less consumer-friendly stores of yesterday. These most-frequently visited retail locations anchor many of our centres. The 1970s-style malls – those that relied on senior department store anchors – are scrambling to offset major closures and catch up to changing consumer preferences. RioCan's portfolio never included senior department store anchors and our strong New Format properties are exactly where today's consumers are headed.

Sears London Drugs Rogers Video

Cara Foods Bank of Montreal Petsmart

Bank of Nova Scotia Future Shop

Bi-Way TD Bank Canadian Tire

Mark's Work Wearhouse Reitmans

Winners Sobeys Staples Chapters

Safeway Shoppers Drug Mart

Famous Players Métro-Richelieu A&P

Wal-Mart Loblaws Zellers

an assured future

RioCan's Top 25 Retailers

Zellers
Loblaws
Wal-Mart
A&P
Métro-Richelieu
Famous Players
Shoppers Drug Mart
Safeway
Chapters
Staples
Sobeys
Winners
Reitmans
Mark's Work Wearhouse
Canadian Tire
TD Bank
Bi-Way
Future Shop
Bank of Nova Scotia
Petsmart
Bank of Montreal
Cara Foods
Rogers Video
London Drugs
Sears

YES, RioCan has secured the future in retail real estate. The names of these leading retailers are familiar to every Canadian. They are also the 25 top tenants in RioCan's portfolio – accounting for 48% of RioCan's gross revenue.

RioCan has secured the future in retail real estate by becoming Canada's largest retail landlord with a portfolio of 130 properties in the most advantageous markets across Canada. Our 2,629 tenants are a Who's Who of leading retailers, supermarket chains and successful local businesses. Our shopping centres dominate their locations and include the country's largest and most compelling New Format Retail concepts.

Our leases are long and their maturities staggered. Our debt is low and our finances plentiful. And with assets of approximately $2.2 billion and an aggregate of well over 20 million square feet of gross leasable area, RioCan has the size and scope that new and expanding retailers are seeking – and it is why they consistently choose to grow with us ahead of all others.

RioCan's numbers tell a story of unparalleled success – but they do not tell the whole story; industry expertise and meticulous management complete the picture. RioCan is unique among REITs, with the size, wealth of industry knowledge and financial discipline that will be the engines of growth for portfolio value and unitholder returns well into the future.

consolidated financial statements

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For the year ended December 31, 1999

OVERVIEW

RioCan is an unincorporated "closed-end" trust governed by the laws of the Province of Ontario and constituted pursuant to a Declaration of Trust. Until June 29, 1995 the name of the Trust was "Counsel Real Estate Investment Trust." Prior to November 30, 1993, the Trust was an "open-end" real estate mutual fund trust offering its units on a continuous basis and was known as "Counsel Real Estate Fund."

RioCan Real Estate Investment Trust is Canada's largest real estate investment trust. As at December 31, 1999 the Trust had ownership interests in a portfolio of 115 shopping centres, comprising approximately 15.5 million square feet of gross leasable area. All of the Trust's assets are located in Canada.

Management's discussion of the Trust's financial results should be read in association with RioCan's audited financial statements for the years ended December 31, 1999 and 1998.

ACQUISITION OF REALFUND REIT

On May 31, 1999, RioCan completed the acquisition of RealFund REIT ("RealFund"), at that time Canada's fifth largest real estate investment trust ("REIT"). RealFund owned 43 income-producing properties comprising approximately 4.9 million square feet.

The acquisition of RealFund provided RioCan and its unitholders numerous advantages. These include:

(i) the creation of Canada's largest REIT and the resulting greater liquidity in its units;

(ii) the creation of a dominant franchise in RioCan's sub-sector of the Canadian retail real estate market; and

(iii) significant cost savings.

The total cost of the acquisition was approximately $814 million. The purchase price was satisfied by the issuance of 1.45 RioCan units for each RealFund unit and the assumption of liabilities of $379 million.

NET EARNINGS AND FINANCIAL POSITION

Results of operations

The Trust reported net earnings of $102.7 million for the year ended December 31, 1999, as compared with net earnings of $58.0 million for the year 1998.

1999 net earnings per unit were 99 cents, an 18% increase from 1998 net earnings per unit of 84 cents.

Rental operations

(thousands of dollars)	**1999**	1998
Rental revenue	**$ 230,409**	$ 150,689
Operating costs	**85,412**	60,676
Net operating income	**$ 144,997**	$ 90,013

In 1999, net operating income increased $55.0 million or 61% as compared to 1998. The increase is primarily due to having the benefit of ownership of the (interests in) 14 properties acquired in 1998 for the full 1999 year, of the acquisition of (interests in) 51 income properties during 1999 (including 43 properties acquired through the acquisition of RealFund REIT), as well as from the ongoing completion of (joint-venture) retail development properties.

(thousands of dollars)		**1999**		1998
Retail:				
Properties owned for all of 1999 & 1998	$	**67,025**	$	64,015
Properties acquired during the year		**65,502**		17,476
Development properties completed during the year		**6,548**		3,692
Properties sold		**3,721**		3,241
Industrial:				
Properties acquired during the year via RealFund acquisition		**435**		–
Properties sold during the year		**531**		–
Office:				
Properties acquired during the year via RealFund acquisition		**924**		–
Properties sold during the year		**311**		1,589
Net operating income	$	**144,997**	$	90,013

The overall occupancy rate in the Trust's portfolio was 95% as at December 31, 1999, a decrease from the 96% occupancy level at the end of 1998. RioCan has employed a strategy of purchasing shopping centres with vacancy rates higher than its portfolio average (including properties acquired through the RealFund acquisition) and then adding value through the lease-up of the centres.

Interest expense

(thousands of dollars)		**1999**		1998
Interest expense	$	**54,966**	$	32,113
Capitalized interest		**2,956**		2,424
Total interest cost	$	**57,922**	$	34,537

Interest expense increased in 1999 from 1998 primarily due to the increase in debt associated with the income properties acquired via the acquisition of RealFund REIT on May 31,1999. The Trust capitalized interest to its properties under development in 1999 representing 5.1% of its total 1999 interest costs, as compared to 7.0% for 1998.

Sales of income properties

RioCan will generally dispose of those income properties which are deemed to no longer fit its portfolio strategy of focusing on retail real estate. A retail property may also be sold if management determines that its value has been maximized and that the capital invested in it can be redeployed elsewhere at higher returns. There are also retailers who prefer to own their own store as opposed to being a tenant – over the years, RioCan has sold land to operators who have constructed stores which effectively remain part of the centres as (non-owned) anchors.

By the end of 1998, RioCan achieved its goal of owning only retail properties and had completed its program of disposing of its office portfolio. As a result of the takeover of RealFund, RioCan acquired certain office and industrial properties. By December 31,1999 RioCan disposed of a number of such properties and expects to continue this program with the goal of once again owning solely shopping centres. As at December 31, 1999, 99% of RioCan's gross revenue was earned from retail centres.

The Trust earned $5.0 million on a net basis from gross sales of $84 million of real estate in 1999, as compared to $3.4 million on gross sales of $45 million in 1998, composed of the following:

	1999	1998
Sales proceeds from:		
Retail properties – outright sales	$ 62,936	$ 5,400
Retail properties – non-owned anchors	–	11,800
Office/industrial properties	21,025	27,616
	$ 83,961	$ 44,816
Gain (loss) from sale of:		
Retail properties – outright sales	$ 5,029	$ 1,093
Retail properties – non-owned anchors	–	3,361
Office/industrial properties	–	(1,030)
	$ 5,029	$ 3,424

General and administrative expenses

Net general and administrative expenses were $4.6 million in 1999 versus $2.8 million in 1998.

(thousands of dollars)	1999	1998
General and administrative expenses incurred	$ 7,135	$ 4,467
less: capitalized to properties	(2,566)	(1,713)
	$ 4,569	$ 2,754

Gross overhead costs for 1999 increased by 60% over 1998. This increase is largely attributable to 1999 bearing a full year's cost for additional leasing, operations and asset management staff added in 1998 which were required to manage portfolio growth. RioCan's staff head count grew by approximately 50% during 1998. Most of the staff additions were for positions directly involved in value creation activities.

Amounts capitalized to properties for 1999 represent 36% of gross general and administrative expenses, as compared to 38% for 1998.

RioCan's asset management function was internalized on July 1, 1995. RioCan was the first Canadian REIT to adopt the position that unitholders are best served by internalized management, rather than through external asset management contracts. No fees are paid to third-party managers for acquisitions, dispositions or for simply owning assets. The positives of internal management are significant, whether one is looking at the overall costs of operation or the ability to directly align the goals and compensation of management with those of unitholders.

Assets

RioCan focuses on owning and operating a portfolio of retail real estate. Advantages of the retail real estate sub-sector include (i) valuation swings are less dramatic than office and industrial sub-sectors; (ii) tenant leases are generally written for longer terms than office and industrial properties thereby "smoothing" cash flows over recessionary periods; and (iii) tenants view retail space as "profit centres" (as opposed to "overhead"), resulting in higher renewals than typically for office and industrial sub-sectors.

The specific niche areas in the retail area in which RioCan invests are: (i) neighbourhood, convenience unenclosed centres; (ii) dominant, enclosed malls; and (iii) new format retail centres.

Most of RioCan's portfolio consists of unenclosed, supermarket or junior department store anchored shopping centres, typically comprising 200,000 to 250,000 square feet of leasable area. Other convenience-oriented tenants generally include banks, drug stores and liquor stores. It is RioCan's belief that such retail centres are the most stable of commercial properties. Because they address the everyday, convenience-oriented needs of nearby consumers, they are relatively immune to general economic cycles. At the same time, the scarcity of zoned and vacant land within mature neighbourhoods strongly mitigates against new competition, especially at RioCan's low cost base.

RioCan also owns enclosed malls in smaller urban areas. Management believes that as long as the properties in question are dominant in their marketplaces, the apparent operating cost disadvantages of enclosed malls can be readily overcome.

A significant portion of RioCan's portfolio are new format retail centres. These unenclosed campus-style centres are generally anchored by supermarkets and junior department stores and often include an entertainment component (new generation movie theatres, large-format bookstores and restaurants). These centres offer retailers significant operating and cost advantages. As these centres have all been recently developed/constructed, they are generally 99% occupied and tenants' leases are generally for a minimum of 10 years.

In terms of geographic focus, RioCan is over-represented in Canada's strongest markets.

The majority of RioCan's assets are located in Ontario. This is the result of a strategic direction taken by management when the Trust's aggressive acquisition program began in late 1995. Ontario is the driver of prosperity in Canada, given that it has the largest and most prosperous population. Furthermore, the type of retail that RioCan owns demands comprehensive local knowledge and RioCan's senior management has extensive experience and retail industry relationships in Ontario.

Until 1998, RioCan had not acquired any properties in Quebec. However, in 1998, the Trust purchased five supermarket-anchored shopping centres in the greater Montreal area. The decision to invest in Quebec was stimulated by indications to management from many national tenants who viewed that province as having significant unrealized market potential and as their next major area for expansion within Canada. In addition, the Trust's management recognized that RioCan could not remain exclusively invested in Canada (which is the Trust's stated intention) and ignore approximately 25% of the country's population. Expansion in Quebec increased in 1999 with the acquisition of an additional four properties comprising 555,000 square feet.

RioCan had also historically avoided investments in British Columbia. In the period from RioCan's re-creation as a REIT in 1993 through the end of 1998, it sold off all B.C. properties owned in 1993 and had not purchased any properties in that province. With the acquisition of RealFund, interests in six B.C. properties comprising 682,000 square feet were acquired. By the end of 1999, RioCan disposed of its interests in one of these B.C. properties and an agreement to sell another B.C. property comprising 94,000 square feet was entered into (which was completed subsequent to 1999).

The result of all of the above is that 66.5% of RioCan's rental revenue as at December 31, 1999 is earned in Ontario, with 13.2% derived from Alberta, 1.2% from each of Manitoba and New Brunswick, 1.9% from Prince Edward Island, 6.4% from Quebec, 6.0% from Saskatchewan and 3.6% from British Columbia.

The prime focus of RioCan is to provide its unitholders a reliable and stable income stream. Reliability and stability are achieved in many ways.

Lease maturities are staggered to ensure that there is not too much exposure to large levels of rollovers in any single year. As at December 31, 1999 the proportion of the Trust's space for which leases expire over the next five years is as follows:

2000	6.0%
2001	6.2%
2002	5.1%
2003	8.2%
2004	7.3%

The Trust's income stream is further solidified by the fact that, as at December 31, 1999, 73% of its revenue was derived from, and 76% of its space was leased to, national and anchor tenants. These are up from 71% and 75%, respectively, as at December 31,1998. Management is constantly striving to increase the proportion of national tenancies in each property and the length of related leases. No individual tenant comprises more than 6.1% of the portfolio's gross revenue. As at December 31, 1999, RioCan's 10 largest tenants (based on gross revenue) and the weighted average term remaining on their leases were as follows:

	% of Gross Revenue	Weighted Average Remaining Lease Term (Yrs.)
1. Zellers	6.1	12.1
2. Loblaws	5.5	10.6
3. Wal-Mart	4.8	14.3
4. A&P (Dominion)	4.5	10.0
5. Famous Players	3.5	22.6
6. Métro-Richelieu	2.5	7.4
7. Shoppers Drug Mart	2.3	8.1
8. Canada Safeway	2.1	11.2
9. Chapters	1.7	8.2
10. Staples	1.6	12.8
	34.6	

It is noteworthy that, as at December 31,1999, 16% of RioCan's gross revenue comes from Canada's major supermarket chains and over 47% of gross revenue is derived from the Trust's 25 largest tenants. At the same time, the diversification of RioCan's sources of revenue is illustrated by the fact that it has over 2,000 individual tenants.

The Trust has a limited development program focused on new format retail centres. To minimize risks, developments are generally undertaken with established developers either on a joint-venture, co-tenancy basis, or by providing them with mezzanine financing on a participating mortgage basis. RioCan does not see itself as a developer, nor does management have any desire to build up the infrastructure and overheads associated with being one. RioCan will not participate in the acquisition of land unless it is fully zoned and 70% of the buildable space has been pre-leased/pre-sold. Construction is phased to avoid the creation of meaningful amounts of vacant space. An advantage of unenclosed, new format retail is that, unlike an enclosed mall or an office building, it lends itself to staged construction, keyed to leasing levels.

Beginning in 1997, RioCan created a pipeline of future acquisitions by entering into contracts to purchase retail properties on a "forward" basis at predetermined capitalization rates. The total purchase prices related to all such forward purchase obligations as at December 31, 1999 are estimated as follows:

2000	$ 49 million
2002	45 million
2004	25 million
	$ 119 million

It is expected that long-term debt financing will be obtained for approximately 50% of the purchase prices such that the cash/equity requirements to complete these acquisitions will also be around one-half of the above costs.

In conjunction with its development program, the Trust will often make loan advances to its partners and "suppliers" to help fund the acquisition and development costs of the related properties. These transactions are generally structured either as co-tenancies or as loans with RioCan granted options to purchase a stated interest (generally 50%) in the underlying property (essentially, upon or after substantial completion). The acquisition of RealFund added approximately $114 million of such loans to RioCan's portfolio, as it too had a similar strategy.

As at December 31, 1999 the Trust had mortgages and loans receivable as follows:

(thousands of dollars)	**1999**	1998
Mortgages and loans receivable from co-owners	**$ 39,485**	$ 26,277
Participating mortgages and loans receivable	**85,076**	34,231
Mortgages and loans receivable with purchase options	**69,051**	–
Other mortgages and loans receivable	**64,861**	8,815
	$ 258,473	$ 69,323

It is estimated that approximately $72 million of the December 31, 1999 balance of mortgages and loans receivable will be repaid from the cash flows generated from the exercise of RioCan's options to purchase interests in the properties.

CAPITAL STRUCTURE AND LIQUIDITY

The Trust finances its operations with various forms of capital, including equity, bank debt, long-term mortgage financing on completed income properties, unsecured debentures and short- to medium-term construction financing on properties under development.

Debt

Consistent with its goal of providing unitholders a reliable and stable income stream, RioCan's strategy is to make maximum usage of long-term, fixed-rate debt so as to minimize its exposure to interest rate fluctuations. RioCan has access to a diversity of sources of debt-domestic mortgage lenders, foreign lenders, the unsecured debenture market and conventional bank borrowings.

Until June 2, 1997, RioCan's Declaration Of Trust stated that debt must not exceed 50% of aggregate assets, defined as the total of the Trust's assets plus accumulated amortization of income properties. On June 2, 1997, unitholders approved a change relating to convertible debt issued by RioCan where it may issue trust units to repay the principal amount borrowed (versus repayment required to be made with cash). The Trust may now issue debt to a limit of 65% of aggregate assets, subject to the excess over the original 50% debt limitation being in the form of convertible debt where RioCan has the option to repay the debt with trust units issued from treasury. To date, RioCan has not issued any such convertible debt instruments. At December 31, 1999, the Trust's indebtedness was 48% of aggregate assets, as compared to 46% as at December 31, 1998.

As at December 31,1999, RioCan had three issues of senior unsecured debentures outstanding totalling $300 million. Such debt has the advantage that it provides greater flexibility than conventional secured borrowings and requires no ongoing repayments of principal. In 1997 RioCan completed an issue of $100 million of 6.35% unsecured debentures with an initial maturity date of October 31, 2002. The debentures are extendible, at the option of the debenture holders, for a further five years at an interest rate of 6.82%. A further issue of $50 million was completed in April, 1998, bearing an effective interest rate of 6.56% and maturing in 2005. In acquiring RealFund, RioCan assumed the liability for a further $150 million of senior unsecured debentures maturing in August, 2007 bearing interest at 6.8%. Prior to the acquisition of RealFund, the two series of debentures issued directly by RioCan were rated "B++" by Canadian Bond Rating Services ("CBRS") and "BBB" by Dominion Bond Rating Services ("DBRS"). Subsequent to the RealFund acquisition, CBRS raised its rating on all of RioCan's debentures to B++(high); DBRS continues to rate them BBB.

As at December 31, 1999 RioCan had revolving lines of credit in place totalling $120 million with major Canadian financial institutions, secured by certain income properties. Actual drawings against these lines were $81.3 million at the end of 1999.

On a combined basis, the Trust's mortgages and debentures payable bear a December 31, 1999 weighted average interest rate of 7.3% with a weighted average term to maturity of 5.0 years, and mature as follows:

Year of Maturity (thousands of dollars)	
2000	$ 208,103
2001	77,619
2002	196,914
2003	36,680
2004	83,486
Thereafter	451,519
	$ 1,054,321

As at December 31, 1999 RioCan could incur additional indebtedness of $72 million and still adhere to its 50% leverage limitation; if the Trust issued convertible debentures (repayable with trust units), it could issue a further $966 million of such debt and be at an overall leverage limit of 65%.

Equity

RioCan has traditionally financed a significant portion of its growth through the issuance of new equity. No public offerings of new equity were undertaken in 1999. RioCan did issue 43.52 million units on the acquisition of RealFund.

Under its Declaration of Trust, RioCan is permitted to retain up to 10% of its distributable income in any year to maintain a reserve to fund ongoing capital costs, including recurring mortgage principal repayments and tenant leasing costs. Prior to 1999, the Trust historically paid out 100% of its distributable income to its unitholders.

RioCan's goal is to become increasingly less reliant on public capital markets for equity. Towards this end, in 1999 RioCan distributed less than 96% of its distributable income, as follows:

(thousands of dollars)	**1999**	1998
Net earnings	$ **102,675**	$ 57,959
Amortization of income properties	**10,093**	6,174
Other	**(92)**	1,046
Distributable income	**112,676**	65,179
(Retention) excess distribution of distributable income	**(4,708)**	508
Distributed income	$ **107,968**	$ 65,687

RioCan will work towards reducing its payout ratio to the 90% level over a period of one or two years. Management is confident that any further retention of distributable income will come from the growth in the Trust's income, such that the level of actual distributions will not decrease.

RioCan has a unitholder distribution reinvestment plan ("DRP") which provides participants a 3% discount on units acquired through this plan. The DRP had a participation rate in excess of 8% at the end of 1999 and it is management's hope that this plan will achieve an even higher participation rate in 2000.

The combination of an increased retention of distributable income and increased participation rates in the DRP are critical components of RioCan's strategy of achieving greater capital self-sufficiency.

Risks and uncertainties

The principal operating risk facing the Trust is the potential for declining revenue if it cannot maintain the existing high-occupancy levels of its properties. To safeguard against this risk, RioCan invests primarily in supermarket and junior department store-anchored, neighbourhood, convenience-oriented shopping centres which are always required to service the day-to-day needs of the general population. Should vacancies occur in these types of centres, it is generally easier to find replacement tenants. Towards this end, management makes it a priority to maintain good relationships with all tenants. The Trust has in-house leasing capabilities, which results in excellent control over its leasing activities and generally results in even faster releasing of space should it unexpectedly become vacant.

The Trust's assets and operations are inherently not subject to a high level of environmental risk. It is the Trust's policy to have an environmental audit conducted by an independent consultant prior to acquiring any property. Such audits are also commissioned on an ongoing basis for existing assets, where deemed appropriate. In addition, tenant leases generally specify that the tenant will conduct its business in accordance with environmental regulations and be responsible for any liabilities arising out of infractions to such regulations. These policies and practices protect the long-term market value of RioCan's assets.

Due to its involvement in development activities, the Trust is subject to risks such as construction or other unforeseeable delays and cost overruns. To mitigate such risks, the Trust undertakes development projects with developers possessing a proven track record of success. The risks are further minimized through adherence to a policy of not commencing construction until satisfactory levels of pre-leasing/sales are achieved, generally defined to be 70% of leasable area. In addition, the overall capital that can be committed at any one time to all such projects is limited by its Declaration Of Trust to no more than 15% of unitholder's equity.

The ultimate safeguard against all risks faced by the Trust is that it owns a well-diversified portfolio of income-producing retail real estate. Income properties are located across Canada, and both lease and debt maturities are managed so as to avoid the risks from exposure to the economic and interest rate environment existing in any one given year. With conservative debt limitations and the vast majority of the Trust's income deriving from national and anchor tenants, the Trust's cash flow is stable and reliable.

Real Estate Assets

As at December 31, 1999

Property and Location	Date of Acquisition	Ownership Interest	Leasable Area (sq.ft.)	% Leased	Net Book Value
Adelaide Centre, London, ON	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
			[illegible]		
Aurora Village Plaza, Aurora, ON	[illegible]	100%	55,305	[illegible]	[illegible]
Bathurst Supermall, Bathurst, NB	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
			[illegible]		
400 Barrie Power Centre, Barrie, ON	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
			[illegible]		
Belleville Plaza, Belleville, ON	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belleville Wal-Mart Centre, Belleville, ON	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bellfront Shopping Centre, Belleville, ON	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Blue Mountain Mall, Collingwood, ON	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bolton Country Shopping Plaza, Bolton, ON	[illegible]	100%	87,005	[illegible]	[illegible]
Boulevard Shopping Centre, Ottawa, ON		100%	[illegible]	[illegible]	[illegible]
Brookside Mall, Fredericton, NB	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
			[illegible]		
Burlingwood Shopping Centre, Burlington, ON	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cambrian Mall, Sault Ste. Marie, ON	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Carrefour Carnaval, St. Leonard, QC	[illegible]	[illegible]	[illegible]	[illegible]	15,120,000
Centre Kirkland, Kirkland, QC	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Centre Carnaval, Ville LaSalle, QC	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Centre Carnaval, Pierrefonds, QC	[illegible]	[illegible]	[illegible]	[illegible]	11,500,000
Centre Carnaval, Montreal, QC	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Century Park Plaza, Calgary, AB	[illegible]	[illegible]	[illegible]	[illegible]	6,355,000
Charlottetown Mall, Charlottetown, PE	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Churchill Plaza, Sault Ste. Marie, ON	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
			(111,430)		
Cine Plaza, Kingston, ON	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Clarkson Village Shopping Centre, Mississauga, ON	[illegible]	[illegible]	[illegible]	100.0%	[illegible]
Colborne Mall, Brantford, ON	[illegible]	100%	[illegible]	[illegible]	[illegible]
Commissioners Court Plaza, London, ON	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Confederation Mall, Saskatoon, SK	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
County Fair Mall, Smith Falls, ON	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Crockford Avenue, Toronto, ON	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Property and Location	Date of Acquisition	Ownership Interest	Leasable Area (Sq. Ft.)	% Leased	Net Book Value
Crossroads Centre, London, ON	Apr. 1996	100%	[illegible]	[illegible]	[illegible]
Dilworth Shopping Centre, Kelowna, BC	May 1996	100%	[illegible]	[illegible]	[illegible]
Dougall Plaza, Windsor, ON	Apr. 1996	100%	[illegible]	[illegible]	[illegible]
East Park Centre, Windsor, ON	May [illegible]	100%	[illegible]	[illegible]	[illegible]
Elgin Mall, St. Thomas, ON	[illegible]	100%	[illegible]	[illegible]	[illegible]
Enterprise Plaza, Windsor, ON	May 1999	[illegible]	[illegible]	[illegible]	[illegible]
Fallingbrook Shopping Centre, Ottawa, ON	May 1999	100%	[illegible]	[illegible]	[illegible]
Festival Hall, Toronto, ON	[illegible]	50%	[illegible]	[illegible]	[illegible]
			[illegible]		
Five Points Shopping Centre, Oshawa, ON	[illegible]	100%	[illegible]	[illegible]	[illegible]
Frontenac Mall, Kingston, ON	Mar. 1997	100%	[illegible]	[illegible]	[illegible]
Glenmore Landing, Calgary, AB	[illegible]	50%	[illegible]	[illegible]	[illegible]
			[illegible]		
Goderich Wal-Mart Centre, Goderich, ON	May 1999	100%	[illegible]	[illegible]	[illegible]
Golden Acres Twin Plaza I & II, Calgary, AB	Mar. 1999	100%	[illegible]	[illegible]	[illegible]
Golden Mile Bowling Centre, Toronto, ON	[illegible]	100%	[illegible]	[illegible]	[illegible]
Halton Hills Shopping Centre, Georgetown, ON	[illegible]	100%	[illegible]	[illegible]	[illegible]
Hamilton-Highbury Plaza, London, ON	Aug. [illegible]	100%	[illegible]	[illegible]	[illegible]
Heart Lake Town Centre, Brampton, ON	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
			[illegible]		
Highbury Shopping Plaza, London, ON	May 1999	100%	[illegible]	[illegible]	[illegible]
Hillside Plaza, Ottawa, ON	[illegible]	100%	[illegible]	[illegible]	[illegible]
Hunt Club Centre, Ottawa, ON	[illegible]	50%	[illegible]	[illegible]	[illegible]
			[illegible]		
Innes Road Centre, Gloucester, ON	[illegible]	50%	[illegible]	[illegible]	[illegible]
			[illegible]		
1000 Islands Mall, Brockville, ON	Mar. 1997	100%	[illegible]	[illegible]	[illegible]
Jasper Gates Shopping Centre, Edmonton, AB	Mar. 1999	100%	[illegible]	[illegible]	[illegible]
Kanata Centrum Shopping Centre, Kanata, ON	Mar. 1999	100%	[illegible]	[illegible]	[illegible]
Kendalwood Park Plaza, Whitby, ON	May 1997	100%	[illegible]	[illegible]	[illegible]
Kennedy Commons, Toronto, ON	Mar. 1996	50%	[illegible]	[illegible]	[illegible]
			[illegible]		
Kildonan Crossing Shopping Centre, Winnipeg, MB	May 1999	50%	[illegible]	[illegible]	[illegible]
King George Square, Brantford, ON	Mar. 1995	100%	[illegible]	[illegible]	[illegible]
Lachute Wal-Mart Centre, Lachute, QC	May 1999	100%	[illegible]	[illegible]	[illegible]
Langstaff Place Shopping Centre, Woodbridge, ON	May 1998	100%	[illegible]	100.0%	[illegible]
Lawrence Square, Toronto, ON	Apr. 1996	[illegible]	[illegible]	[illegible]	[illegible]

Property and Location	Date of Acquisition	Ownership Interest	Leasable Area (Sq. Ft.)	% Leased	Net Book Value
Lethbridge Towne Square, Lethbridge, AB	May 1999	100%	79,006	95.4%	14,948,000
London Plaza, London, ON	Oct. 1996	100%	138,409	98.8%	5,128,000
Mall Road Centre, Hamilton, ON	Apr. 1998	100%	92,420	95.2%	15,752,000
Mayfield Common, Edmonton, AB	Oct. 1997	100%	475,357	99.4%	48,887,000
Meadowlands Entertainment Centre, Ancaster, ON	May 1997	50%	70,508	100.0%	12,029,000
			(141,016)		
Meadowlands Centre, Ancaster, ON	May 1999	100%	145,574	100.0%	25,184,000
Meadowlands Mall, Nepean, ON	Oct. 1995	100%	165,821	100.0%	12,951,000
Midtown Mall, Oshawa, ON	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mississauga Plaza, Mississauga, ON	Oct. 1996	100%	160,333	96.9%	15,666,000
Mountainview Mall, Midland, ON	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Liskeard Wal-Mart Centre, New Liskeard, ON	May 1999	100%	77,742	100.0%	7,429,000
Niagara Falls Plaza, Niagara Falls, ON	Oct. 1996	100%	126,665	100.0%	7,546,000
Northgate Village Shopping Centre, Calgary, AB	May 1999	100%	295,333	99.2%	35,936,000
North Park Shopping Centre, Brantford, ON	Feb. 1995	100%	58,845	78.4%	[illegible]
Oakridge Mall, London, ON	Feb. 1997	100%	209,687	96.5%	12,893,000
Orangeville Heritage Centre, Orangeville, ON	Oct. 1997	100%	114,479	97.7%	13,923,000
Orillia Square Mall, Orillia, ON	Apr. 1997	100%	297,042	100.0%	30,572,000
Parkland Mall, Yorktown, SK	Jun. 1999	100%	266,844	95.8%	22,442,000
Parkwood Place, Prince George, BC	May 1999	25%	93,766	86.1%	12,734,000
			[illegible]		
Pine Plaza, Sault Ste. Marie, ON	Jan. 1997	50%	21,190	100.0%	2,552,000
			(42,380)		
Place des Quatre Bourgeois, Sainte Foy, QC	Jun. 1999	100%	245,223	76.1%	11,775,000
Place Carnaval, Laval, QC	Apr. 1998	100%	104,233	96.5%	12,895,000
Port Elgin Shopping Centre, Port Elgin, ON	Jan. 1999	100%	47,076	100.0%	3,233,000
Renfrew Mall, Renfrew, ON	Jun. 1997	100%	137,171	93.4%	7,106,000
Richmond North Centre, London, ON	May 1998	100%	105,039	100.0%	19,906,000
RioCan Centre Ajax, Ajax, ON	May 1999	100%	229,208	100.0%	43,266,000
RioCan Centre Grande Prairie, Grande Prairie, AB	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
RioCan Centre Kingston, Kingston, ON	Nov. 1997	50%	64,829	100.0%	6,464,000
			[illegible]		
RioCan Centre Sudbury, Sudbury, ON	Oct. 1999	100%	117,796	100.0%	22,609,000
RioCan Centre Windsor, Windsor, ON	Feb. 1997	100%	124,810	100.0%	25,324,000
Riverbend Square Shopping Centre, Edmonton, AB	May 1999	100%	137,153	96.6%	29,413,000
Royal York Plaza, Toronto, ON	May 1999	100%	74,797	92.8%	12,852,000
Sandalwood Square Shopping Centre, Mississauga, ON	May 1999	100%	107,040	99.0%	18,176,000

Property and Location	[illegible]	Ownership Interest	[illegible]	[illegible]	[illegible]
St. Catharines Plaza, St. Catharines, ON	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
St. Clair Beach Shopping Centre, Windsor, ON	[illegible]	[illegible]	[illegible]		[illegible]
Ste. Hyacinthe Wal-Mart Centre, Ste. Hyacinthe, QC	May 1999	100%	146,824	[illegible]	[illegible]
Sherwood Forest Mall, London, ON	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
			[illegible]		
Shoppes at Shawnessy, Calgary, AB	Jun. 1996	100%	[illegible]	[illegible]	[illegible]
Signal Hill Centre – Zellers Building, Calgary, AB	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Signal Hill Centre, Calgary, AB	Sept. 1996	50%	[illegible]	[illegible]	[illegible]
			[illegible]		
Southgate Shopping Centre, Ottawa, ON	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Southland Crossing Shopping Centre, Calgary, AB	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
South Hill Mall, Prince Albert, SK	Sept. 1997	100%	[illegible]	[illegible]	[illegible]
Stratford Mall, Stratford, ON	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
			[illegible]		
Sudbury Supermall, Sudbury, ON	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
404 Town Centre, Newmarket, ON	May 1992	100%	[illegible]	[illegible]	[illegible]
Town 'N' Country Mall, Moose Jaw, SK	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trafalgar Ridge Shopping Centre, Oakville, ON	May 1999	100%	[illegible]	[illegible]	[illegible]
Vernon Square Shopping Centre, Vernon, BC	May 1999	100%	[illegible]	[illegible]	[illegible]
Victoria Place, London, ON	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Village Square, Calgary, AB	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
12 Vodden Street, Brampton, ON	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Westgate Shopping Centre, Ottawa, ON	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
			[illegible]		
Westminster Centre, London, ON	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
			[illegible]		
Wheeler Park Centre, Moncton, NB	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
			[illegible]		
Windsor Business Depot, Windsor, ON	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Woodview Place, Burlington, ON	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total retail			[illegible]	[illegible]	
OFFICE AND INDUSTRIAL PROPERTIES					
Total office and industrial properties					[illegible]
					[illegible]

1. All amounts including building square footage are shown at the percentage of the Trust's ownership interest; figures in brackets indicate building square footage at 100% ownership.

Property and Location	Ownership Interest	Total Leasable Area (sq. ft.)	Leasable Area (sq. ft.) [illegible] Anchors	Under Development	Future Phasing
RETAIL PROPERTIES UNDER DEVELOPMENT					
Ajax Runnymede, Ajax, ON	(3)	160,000		160,000	
Ajax Wal-Mart, Ajax, ON	(3)	420,000	131,000	89,000	200,000
Colossus Centre, Vaughan, ON	(2)	656,000	191,000	301,000	164,000
Orangeville Fairgrounds, Orangeville, ON	(3)	365,000	90,000	113,000	162,000
Orangeville Fedders, Orangeville, ON	(3)	72,000	–	72,000	–
RioCan Centre Kingston, Kingston, ON	50%	400,000	171,000	[illegible]	155,000
RioCan Centre Newmarket, Newmarket, ON	(2)	61,000		61,000	
Scarborough – Drug Trading, Toronto, ON	(3)	306,500		188,000	118,500
Scarborough – First Warden, Toronto, ON	(3)	215,000	–	66,000	149,000
Silver City Centre, Gloucester, ON	(3)	227,000	–	87,000	140,000
Sainte Foy Wal-Mart, Sainte Foy, QC	(3)	483,000	103,000	270,000	110,000
Trinity Common, Brampton, ON	(2)	[illegible]	200,000	322,000	279,000
Trinity Common, Orleans, ON	(2)	345,000	115,000	230,000	–
Yonge and Savage Centre, Newmarket, ON	50%	201,000		201,000	
Total retail properties under development		3,911,500	1,011,000	[illegible]	[illegible]

1. All amounts are shown at 100% ownership.
2. Interest is through a participating mortgage loan with a call option to acquire a 50% interest anytime after substantial completion.
3. Interest is through a mortgage loan with a call option to acquire a 50% interest upon substantial completion.

Auditors' Report

To the Unitholders of RioCan Real Estate Investment Trust

We have audited the consolidated balance sheets of RioCan Real Estate Investment Trust as at December 31, 1999 and 1998 and the consolidated statements of earnings, unitholders' equity and cash flows for the two years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 1999 and 1998 and the results of its operations and the changes in its cash flows for the two years then ended in accordance with generally accepted accounting principles.

Soberman Isenbaum & Colomby LLP

Chartered Accountants

Toronto, Canada

February 2, 2000

Management's Responsibility for the Financial Statements

The accompanying financial statements have been prepared in accordance with the recommendations of the Canadian Institute of Chartered Accountants and the Canadian Institute of Public and Private Real Estate Companies. The Management of the Trust is responsible for their integrity and objectivity. To fulfill this responsibility, the Trust maintains appropriate systems of internal control, policies and procedures to ensure that its reporting practices and accounting and administrative procedures are of high quality. The financial information presented elsewhere in this Annual Report is consistent with that in the financial statements.

Soberman, Isenbaum & Colomby LLP, the auditors appointed by the unitholders, have examined the financial statements in accordance with generally accepted auditing standards to enable them to express to the unitholders their opinion on the financial statements. Their report as auditors is set forth herein.

The statements have been further reviewed and approved by the Board of Trustees and its Audit Committee. The auditors have direct and full access to the Audit Committee.

Toronto, Ontario

February 2, 2000

Edward Sonshine, Q.C.	***Robert Wolf***
President and Chief Executive Officer	Vice President and Chief Financial Officer

Consolidated Balance Sheets

At December 31

(thousands of dollars)

	1999	1998
ASSETS		
Income properties (Note 4)	**$ 1,836,311**	$ 962,279
Properties under development (Note 5)	**30,774**	44,550
Mortgages and loans receivable (Note 7)	**258,473**	69,323
Rents receivable and other assets	**35,594**	15,277
Cash and short-term investments	**–**	57,834
	$ 2,161,152	$ 1,149,263
LIABILITIES		
Mortgages payable (Note 8)	**$ 754,321**	$ 387,983
Debentures payable (Note 9)	**300,000**	150,000
Accounts payable and accrued liabilities	**65,285**	27,260
Deferred income	**19,667**	8,424
Distributions payable to unitholders	**12,337**	–
	1,151,610	573,667
UNITHOLDERS' EQUITY		
Unitholders' equity (Note 10)	**1,009,542**	575,596
	$ 2,161,152	$ 1,149,263

The accompanying notes are an integral part of the financial statements.

Approved by the Board of Trustees

Paul Godfrey

Chairman

Edward Sonshine, Q.C.

Trustee

Consolidated Statements of Unitholders' Equity

Years ended December 31

(thousands of dollars)

	1999	1998
Balance, beginning of year	$ 575,596	$ 416,891
Net earnings	102,675	57,959
Distributions to unitholders (Note 15)	(107,968)	(65,687)
Unit issue proceeds	440,570	174,240
Unit issue expenses	(72)	(7,265)
Units purchased for cancellation	(1,259)	(542)
Balance, end of year	$ 1,009,542	$ 575,596

The accompanying notes are an integral part of the financial statements.

Consolidated Statements of Earnings

Years ended December 31

(thousands of dollars, except per unit amounts)

	1999	1998
Rental revenue	$ 230,409	$ 150,689
Operating costs	85,412	60,676
Amortization of deferred costs	3,105	1,830
Amortization of income properties	10,093	6,174
	98,610	68,680
Operating income from income properties	131,799	82,009
Interest income	25,382	7,393
Operating income before interest expense	157,181	89,402
Interest expense (Note 6)	54,966	32,113
Operating income	102,215	57,289
Gain on sale of income properties	5,029	3,424
Income before trust expenses	107,244	60,713
General and administrative expenses (Note 6)	4,569	2,754
Net earnings	$ 102,675	$ 57,959
Net earnings per unit – basic and fully diluted (Note 14)	$ 0.99	$ 0.84

The accompanying notes are an integral part of the financial statements.

Consolidated Statements of Cash Flows

Years ended December 31	1999	1998
(thousands of dollars)		
Operating activities		
Net earnings	$ 102,675	$ 57,959
Adjustments to reconcile net income to cash provided by operating activities		
Amortization	13,198	8,004
Gain on sale of income properties	(5,029)	(3,424)
Changes in other operating items	(28,850)	1,793
Cash provided by operating activities	81,994	64,332
Financing activities		
Mortgages payable		
Borrowings	151,730	64,575
Repayments	(47,724)	(52,592)
Issue of units, net	8,966	166,433
Distributions paid	(95,631)	(65,687)
Issue of debentures payable, net	–	47,982
Cash provided by financing activities	17,341	160,711
Investing activities		
Income properties		
Acquisitions	(90,029)	(153,947)
Capital expenditures	(14,928)	(17,699)
Expenditures on properties under development	(57,148)	(42,786)
Mortgages and loans receivable		
Advances	(58,862)	(39,476)
Repayments	23,084	809
Sale of income properties	40,714	30,978
Cash used by investing activities	(157,169)	(222,121)
Increase (decrease) in cash and equivalents	(57,834)	2,922
Cash and equivalents, beginning of year	57,834	54,912
Cash and equivalents, end of year	$ –	$ 57,834
Other cash flow information		
Acquisition of RealFund assets (Note 3):		
Through issue of units	$ 422,148	$ –
Through assumption of liabilities	$ 379,000	$ –
Acquisition of income properties:		
Through issue of units	$ 8,125	$ –
Through assumption of liabilities	$ 69,439	$ 117,636
Mortgages receivable from sale of income properties	$ 18,197	$ 4,107
Interest paid	$ 50,112	$ 33,962

The accompanying notes are an integral part of the financial statements.

December 31, 1999

(tabular amounts in thousands, except per unit amounts)

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The Trust's accounting policies and its standards of financial disclosure are in accordance with generally accepted accounting principles and with the recommendations of the Canadian Institute of Public and Private Real Estate Companies, of which the Trust is a member.

The consolidated financial statements include the accounts of the Trust and its wholly owned subsidiaries.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

(b) Income properties

Income properties are stated at the lower of cost less accumulated amortization and net recoverable amount. The net recoverable amount represents the undiscounted estimated future net cash flow expected to be received from the ongoing use and residual worth of the properties, and is intended to determine recovery of an investment and is not an expression of a property's fair market value.

Amortization is recorded on the buildings on a 5% forty-year sinking fund basis. Under this method, amortization is charged to income at an amount which increases annually consisting of a fixed annual sum, together with a factor compounded at the rate of 5% per annum so as to fully amortize the buildings over a forty-year period.

Re-leasing costs and the cost of tenant improvements are deferred and amortized on a straight-line basis over the term of the respective lease.

Maintenance and repairs costs are expensed against operations as incurred, while significant improvements, replacements and major renovations are capitalized to income properties.

(c) Properties under development

Properties under development are stated at the lower of cost and net recoverable amount. Cost includes acquisition costs, initial leasing costs, other direct costs, property taxes, interest on both specific and general debt, all operating revenue and expenses and the applicable portion of general and administrative expenses.

Capitalization of costs to properties continues until the property reaches its accounting completion date, the determination of which is based on achieving a satisfactory occupancy level within a predetermined time limit.

(d) Debt financing costs

Costs of obtaining debt financing are deferred and amortized over the term of the related debt.

(e) Co-ownerships

The Trust carries out certain of its activities through co-ownerships and records its proportionate share of assets, liabilities, revenue and expenses of all co-ownerships in which it participates.

(f) Rental revenue

Rental revenue includes rents earned from tenants under lease agreements, including percentage participation rents, property tax and operating cost recoveries and incidental income.

(g) Cash and equivalents

Cash and equivalents are comprised of cash and may include short-term market investments with original maturities of three months or less. At December 31, 1999, cash equivalents were nil (1998 – $55,772,000).

(h) Unit-based compensation plan

The Trust has a unit-based compensation plan which is described in Note 11. No compensation expense is recognized for this plan when unit options are issued to employees and trustees. Any consideration paid by employees or trustees on exercise of unit options is credited to unitholder's equity.

(i) Translation of foreign currencies

Assets and liabilities denominated in United States dollars are translated at the year-end exchange rate. Revenues and expenses are translated at the average exchange rate for the year. Foreign exchange gains or losses are included in net earnings.

(j) Financial instruments

The Trust's rents, mortgages and loans receivable (excluding purchase options), cash and short-term investments and accounts payable and accrued liabilities are carried at cost which approximates their fair value. The fair values of other financial instruments are disclosed in Note 16 with fair value based upon discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts the Trust might pay or receive in actual market transactions. Potential transaction costs have also not been considered in estimating fair value.

From time to time, the Trust may enter into interest rate swap (option) transactions to modify the interest rate profile of its current or future outstanding debt without an exchange of the underlying principal amount. The difference payable or receivable on such transactions is recorded as an adjustment to the related interest cost.

The Trust does not acquire, hold, or issue derivative financial instruments for trading purposes.

2. CHANGE IN ACCOUNTING POLICY – CASH FLOWS

Effective January 1, 1999, the Trust adopted the new recommendations of the Canadian Institute of Chartered Accountants with respect to the presentation of cash flow information.

Under the new recommendations, non-cash transactions are excluded from the statement of cash flows and are disclosed elsewhere in the financial statements. Cash equivalents are restricted to investments that are readily convertible into a known amount of cash, that are subject to minimal risk of changes in value and which have an original maturity of three months or less. As well, changes in short-term borrowings, other than temporary overdrafts which are an integral part of the Trust's day-to-day cash management process, are treated as financing activities.

Cash flow information for the prior year has been restated to conform to the new recommendations. The effect of adopting the new recommendations was to increase (decrease) the cash flows as follows: Operating activities $(64,944,000) (1998 – $(11,099,000)); Financing activities $(49,608,000) (1998 – $(117,282,000)); Investing activities $114,552,000 (1998 – $128,381,000); and, Cash and equivalents $nil (1998 – $nil).

3. ACQUISITION OF REALFUND

In May 1999, RioCan acquired all of the outstanding units of RealFund, a Canadian real estate investment trust for approximately $814,200,000 including acquisition costs. The purchase price was comprised of 43,520,398 units of RioCan valued at $422,148,000 and the assumption of liabilities of $379,000,000. There was no goodwill acquired on acquisition. The transaction has been accounted for by RioCan as a business combination using the purchase method. The results of operations from the assets acquired in this transaction are included from the date of acquisition.

4. INCOME PROPERTIES

		Cost		Accumulated Amortization		Net Carrying Amount 1999		Net Carrying Amount 1998
Land	$	452,539	$	–	$	452,539	$	237,321
Buildings		1,380,000		20,138		1,359,862		711,185
Deferred costs		29,853		5,943		23,910		13,773
	$	1,862,392	$	26,081	$	1,836,311	$	962,279

5. PROPERTIES UNDER DEVELOPMENT

		1999		1998
Land	$	6,403	$	6,947
Development expenditures		22,557		34,800
Carrying costs		1,814		2,803
	$	30,774	$	44,550

6. CAPITALIZATION OF CARRYING COSTS

During the year, the following costs were capitalized to properties:

		1999		1998
Interest				
Total interest incurred	$	57,922	$	34,537
Less: capitalized to properties		(2,956)		(2,424)
Net interest expense	$	54,966	$	32,113
General and administrative				
Total general and administrative expenses incurred	$	7,135	$	4,467
Less: capitalized to properties		(2,566)		(1,713)
Net general and administrative expenses	$	4,569	$	2,754

7. MORTGAGES AND LOANS RECEIVABLE

		1999		1998
Mortgages and loans receivable from co-owners	$	39,485	$	26,277
Participating mortgages and loans receivable		85,076		34,231
Mortgages and loans receivable with purchase options		69,051		–
Other mortgages and loans receivable		64,861		8,815
	$	258,473	$	69,323

Mortgages and loans receivable from co-owners bear interest at rates varying from 10% to 12% per annum with a weighted averaged year-end rate of 11.1% (1998 – 11.3%) and will be repaid from the cash flows generated from capital transactions related to the underlying properties.

Participating mortgages and loans receivable bear interest at rates ranging from 10% to 12% per annum and entitle the Trust to a share of the income generated by the properties securing those mortgages ("the properties"). The Trust has options to purchase (and the borrowers have options to require the Trust to purchase) a 50% interest in the properties. These options can be exercised upon the substantial completion of the properties. These participating mortgages and loans receivable mature on the earlier of (i) 10 years from the date of initial advance and (ii) subject to the borrower's right to extend for a further five years, completion of the acquisition by the Trust of its 50% interest. Prior to maturity, these participating mortgages and loans will also be repaid from the cash flows generated from the exercise of the Trust's options to purchase the properties and from other capital transactions relating to the properties.

Mortgages and loans receivable with purchase options bear interest at 10% per annum. In addition, the Trust has options to purchase a 50% interest in the properties. Each option can be exercised upon the substantial completion of the respective property. These mortgages and loans receivable have a seven-year term unless the purchase options are not exercised, in which case the loan matures on the later of (i) the initial seven-year term and (ii) five years from the date the Trust gives notice that it does not intend to exercise its purchase option. Prior to maturity, these mortgages and loans will also be repaid from the cash flows generated from the exercise of the Trust's options to purchase the properties and from other capital transactions relating to the properties.

Other mortgages and loans receivable bear interest at rates varying from 6.44% to 12% per annum with a weighted averaged year-end rate of 9.7% (1998 – 11.8%). Future repayments are due as follows:

Year ending December 31, 2000	$	12,241
2001		21,095
2002		18,652
2003		373
2004		2,261
Thereafter		10,239
Other mortgages and loans receivable	$	64,861

8. MORTGAGES PAYABLE

Mortgages payable bear interest at rates ranging between 3% and 12.9% per annum with a weighted averaged year-end rate of 7.3% (1998 – 7.4%) and mature between 2000 and 2019. Included in mortgages payable are amounts drawn against revolving lines of credit of approximately $81,283,000 (1998 – nil). At December 31, 1999, the Trust had revolving lines of credit totalling $120,000,000 (1998 – $50,000,000) with major Canadian financial institutions, secured by certain income properties. The facilities are subject to annual renewal. The Trust had letters of credit of $14,253,000 (1998 – $21,481,000) outstanding at December 31, 1999, of which $13,370,000 (1998 – $21,481,000) were drawn against the revolving lines of credit. Future repayments are due as follows:

Year ending December 31, 2000	$	208,103
2001		77,619
2002		96,914
2003		36,680
2004		83,486
Thereafter		251,519
	$	754,321

9. DEBENTURES PAYABLE

	1999	1998
Series A senior unsecured, initial maturity of October 31, 2002, interest bearing at 6.35% per annum payable semi-annually for the first five years, extendible at the option of the debenture holders to October 31, 2007 at an interest rate of 6.82% per annum	$ **100,000**	$ 100,000
Series B senior unsecured, maturity of April 25, 2005, interest bearing at 6.5% per annum, payable semi-annually	**50,000**	50,000
RealFund Series A senior unsecured (Note 3), maturity of August 1, 2007, interest bearing at 6.80% per annum, payable semi-annually	**150,000**	–
	$ **300,000**	$ 150,000

10. UNITHOLDERS' EQUITY

	1999	1998
Units outstanding, beginning of year	**76,359**	59,439
Issued (cancelled) during the year		
Public offerings	**–**	16,500
Acquisition of RealFund assets (Note 3)	**43,521**	–
Acquisition of income property	**829**	–
Distribution reinvestment and direct purchase plans	**922**	455
Trustee and employee unit option plan	**325**	33
Normal course issuer bid	**(141)**	(68)
	45,456	16,920
Units outstanding, end of year (Note 14)	**121,815**	76,359

In June 1999, the Trust issued 829,082 units at $9.80 per unit as partial consideration for the acquisition of an income property.

On March 23, 1998, the Trust issued 11,000,000 units at $10.75 per unit for cash consideration of $118,250,000. On November 24, 1998, the Trust issued 5,500,000 units at $9.35 per unit for cash consideration of $51,425,000.

During the year, 922,035 (1998 – 455,515) units were issued under the Trust's distribution reinvestment and direct purchase plans for total cash consideration of $8,460,558 (1998 – $4,349,863).

During the year, 325,200 (1998 – 32,800) units were issued under the Trust's trustee and employee unit option plan for total cash consideration of $1,836,425 (1998 – $214,950).

During the year, 140,900 (1998 – 67,700) units were cancelled under a normal course issuer bid for total cash consideration of $1,258,785 (1998 – $541,555).

On February 10, 1998, the Trust's units were split on a two-for-one basis. The effects of the unit division have been retroactively reflected in these financial statements.

11. INCENTIVE UNIT OPTION PLAN (THE "PLAN")

Under the May 31, 1999 amended Plan, the Trust may grant options to its employees and trustees for up to 7,350,000 units. The exercise price of each option equals the market price of the Trust's units on the date of grant and an option's maximum term is 10 years. The options vest at 20% per year from the grant date, being fully vested after four years.

A summary of the status of the Plan as at December 31, 1999 and 1998, and changes during the years ending on those dates is as follows:

	1999		**1999**	1998		1998
Options	**Units**		**Weighted Average Exercise Price**	Units		Weighted Average Exercise Price
Outstanding at beginning of year	**2,821**	**$**	**8.71**	1,801	$	7.58
Granted	**1,830**		**9.42**	1,065		10.56
Exercised	**(325)**		**5.65**	(33)		6.55
Forfeited	**(25)**		**9.59**	(12)		9.63
Outstanding at end of year	**4,301**		**9.24**	2,821		8.71
Options exercisable at year-end	**1,720**		**8.80**	1,102		7.80

The following unit option grants to employees and trustees were outstanding at the end of the year:

	Exercise Price	Options Outstanding	Options Vested	Expiry Date
$	4.8750	148	148	July 19, 2005
	5.5625	26	26	November 30, 2005
	5.8750	20	16	February 19, 2006
	6.2500	212	136	May 30, 2006
	8.4750	600	360	January 17, 2007
	9.6250	405	243	June 2, 2007
	10.6000	600	240	January 12, 2008
	10.5000	465	186	May 25, 2008
	9.3500	600	120	January 4, 2009
	9.4500	1,215	243	May 31, 2009
	9.5000	10	2	June 1, 2009

On January 7, 2000, options to acquire 500,000 units of the Trust at a price of $8.50 were granted. The options expire January 7, 2010.

12. INVESTMENT IN CO-OWNERSHIPS

The Trust's share of the assets, liabilities and earnings from co-ownership activities is summarized as follows:

		1999		1998
Assets	$	**294,316**	$	137,642
Liabilities		**154,746**		77,920
Revenue		**27,595**		11,824
Expenses		**17,869**		6,523
Operating income		**9,726**		5,301
Gain on sale of income properties		**192**		–
Cash flows provided by operating activities	$	**22,789**	$	5,701
Cash flows provided by financing activities		**10,372**		10,585
Cash flows used by investing activities		**(31,403)**		(21,945)

Generally, the Trust is only liable for its proportionate share of the obligations of the co-ownerships in which it participates, except in certain cases. However, against any contingent liabilities in excess of its pro rata share, the Trust would have a claim upon the assets of the other co-owners. The value of the assets of each of these co-ownerships exceeds the related liabilities.

13. INCOME TAXES

The Trust intends to distribute its income for tax purposes in each year to such an extent that it will not be liable for income tax under Part I of the Income Tax Act. Therefore, no provision for income taxes is required.

14. EARNINGS PER UNIT

Net earnings per unit has been computed based on the weighted average number of units outstanding during the year of 103,237,507 (1998 – 68,691,704) units. For the years ended December 31, 1999 and 1998, there was no dilution in net earnings per unit from unit options issued under the Trust's incentive unit option plan (Note 11).

15. DISTRIBUTIONS PER UNIT

The Trust regularly distributes to unitholders an amount equal to 90% or more of the income and capital gains of the Trust (excluding certain items including amounts for amortization of income properties).

Reconciliation of net earnings to distributable income is as follows:

	1999	1998
Net earnings	$ 102,675	$ 57,959
Amortization of income properties	10,093	6,174
Other	(92)	1,046
Distributable income	112,676	65,179
(Retention) excess distribution of distributable income	(4,708)	508
Distributed income	$ 107,968	$ 65,687
Per unit		
Distributable income	$ 1.09	$ 0.95
Distributed income	$ 1.04	$ 0.95

16. FINANCIAL INSTRUMENTS

Financial instruments that have fair values that differ from their carrying value are shown in the table below:

	1999		1998	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Mortgages payable	$ 754,321	$ 736,575	$ 387,983	$ 399,862
Debentures payable	300,000	277,645	150,000	146,600

17. SEGMENTED DISCLOSURES

Substantially all of the Trust's assets are in, and its revenue is derived from, the Canadian retail real estate industry segment.

No single tenant accounted for 10% or more of the Trust's rental revenue.

18. COMMITMENTS

(a) Costs to complete

The Trust's cost to complete properties currently under development is estimated to be approximately $52,000,000 (1998 – $32,000,000).

(b) Lease commitments

The Trust is committed under long-term operating leases with various expiry dates to 2054. Minimum annual rentals, exclusive of taxes, insurance and maintenance costs for the next five years under these leases are as follows:

2000	$ 820
2001	820
2002	790
2003	466
2004	478

(c) Future income properties purchases

(i) During 1997, the Trust completed the acquisition of a 50% interest in seven shopping centres and a 25% interest in two additional shopping centres for a total purchase price of $45.2 million. The centres collectively have approximately 1,155,000 square feet of leasable area.

The Trust has the option to purchase (and the vendor has the option to require the Trust to purchase) the vendor's remaining interests in the nine centres at a price calculated by valuing the properties at a predetermined multiple of their net operating income during the calendar year preceding the purchase, which is to take place at any time after January 23, 2002.

(ii) During 1999, the Trust acquired a 50% interest in a 247,000 square foot urban retail and entertainment complex (known as "Festival Hall"). The Trust will acquire a further interest representing up to, but not exceeding, an additional 40% interest in this centre on the fifth anniversary of the acquisition of the initial 50% interest.

The additional purchase price is to be calculated by valuing the property at a predetermined multiple of its net operating income at the date of acquisition, plus a predetermined amount for any rentable area vacant at the date of acquisition.

(iii) During 1998, the Trust entered into an agreement to acquire a 182,000 square foot urban retail and entertainment complex (to be known as "Empress Walk") subsequent to its completion, which is expected to occur by the end of 2000.

The purchase price is to be calculated by valuing the property at a predetermined multiple of its net operating income at the date of completion of this acquisition, plus a predetermined amount for any rentable areas vacant at the date of acquisition.

The total purchase prices related to the above obligations are estimated to be as follows:

2000	$	49,000
2001		–
2002		45,000
2003		–
2004		25,000

(d) Guarantees

The Trust has guaranteed the repayment of certain mortgage indebtedness of third parties of which $5,250,000 expire in 2010 and $4,000,000 expire in 2019. Management believes that the value of the assets securing these mortgages is sufficient to cover the guarantees provided.

19. SUBSEQUENT EVENT

On January 5, 2000, the Trust acquired a portfolio of four shopping centres at a cost of $40.7 million. The four shopping centres contain in the aggregate approximately 622,000 square feet of leaseable area and are located in Quebec.

The purchase price was satisfied by the assumption of approximately $29.5 million in existing mortgage debt, with the balance of the purchase price satisfied by the issue of 1,125,000 units valued at approximately $10.9 million.

20. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

The Toronto Stock Exchange Committee on Corporate Governance in Canada has developed a series of Guidelines for effective corporate governance. With reference to these Guidelines, the Trust is pleased to make this annual disclosure regarding its governance practices.

BOARD COMPOSITION AND RESPONSIBILITIES

The Board of Trustees of the Trust currently consists of eight members. While there are no specific criteria for board membership, the Trust attempts to attract and maintain trustees with a wealth of business knowledge and a particular knowledge of the real estate market. There is no formal nomination committee with the responsibility for proposing new nominees to the board of trustees. Nominations result from recruitment efforts by management of the Trust and discussions among Trustees prior to consideration by the board as a whole.

Both the chairperson of the board and the majority of members of the board are unrelated to the Trust. The board believes that a majority of independent Trustees promotes effective decision making and provides an objective perspective to the management of the Trust.

BOARD FUNCTIONING

The board is responsible for the ongoing strategic direction of the Trust. Decisions with respect to acquisitions and divestitures of real estate holdings are made by the Investment Committee of the board of trustees. Decisions regarding the ongoing day-to-day management of individual properties are made by management of the Trust.

BOARD COMMITTEES

Board committees include the Audit Committee, the Compensation Committee and the Investment Committee. Each committee has a mandate outlining its responsibilities and its obligations to report recommendations to the full board. In accordance with the Guidelines, the Audit Committee and the Compensation Committee are composed exclusively of "outside" and "unrelated" board members.

The Audit Committee is responsible for the integrity of the Trust's internal control systems, reviews financial statements of the Trust and makes its recommendations to the board before such financial statements are approved by the board. The Audit Committee communicates directly with the Trust's external auditors to discuss and review various audit and related issues as appropriate.

The Compensation Committee is charged with the responsibility of reviewing and making recommendations to the board regarding compensation of the members of the board and the Trust's management.

The Investment Committee is charged with the responsibility of pursuing, evaluating and deciding upon acquisitions and dispositions for the Trust.

SENIOR MANAGEMENT OF RIOCAN REAL ESTATE INVESTMENT TRUST

Edward Sonshine, Q.C.
President & Chief Executive Officer

Frederic A. Waks
Senior Vice President & Chief Operating Officer

Robert Wolf
Vice President & Chief Financial Officer

Donald MacKinnon
Vice President, Real Estate Finance

Katy Ritcey
Vice President, Investments

Jeff Ross
Vice President, Leasing

Danny Kissoon
Vice President, Operations

BOARD OF TRUSTEES

Paul Godfrey[1,3]
(Chairman of Board of Trustees)
President & Chief Executive Officer,
Sun Media Corporation

Clare R. Copeland[3]
Chair of Board of Directors,
Toronto Hydro

Raymond Gelgoot[1]
Senior Partner, Fogler, Rubinoff

Frank W. King[3]
President, Metropolitan Investment Corporation

Allan Silber[2]
Chairman & Chief Executive Officer,
Counsel Corporation

Edward Sonshine, Q.C.[2]
President & Chief Executive Officer,
RioCan Real Estate Investment Trust

Michael Stephenson[1]
Principal, Stephenson, Rosebush, Leftwick and Grant

Sharon Sallows
Partner, Ryegate Properties Corporation

1. Member of the Audit Committee 2. Member of the Investment Committee
3. Member of the Compensation Committee

Unitholder Information

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Fax: (416) 643-5501
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inquiries@cibcmellon.ca (e-mail)

UNIT LISTING

The units are listed on The Toronto Stock Exchange under the symbol REI.UN.

ANNUAL MEETING

The 1999 annual unitholders' meeting of RioCan REIT will be held on May 31, 2000 at 4:15 p.m. at the Glenn Gould Studio, 250 Front Street West, Toronto, Ontario. All unitholders are invited and encouraged to attend.

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